

The Future of Airline Distribution: transparency of online shopping experience.

Nam Nguyen

Author Nam Nguyen	
Degree Programme TOBBA12	
Thesis title The Future of Airline Distribution: transparency of online shopping experience.	Number of pages and appendix pages 40+4
Supervisors Alexandre Kostov; Ivan Berazhny	
<p>Price-aware generation Y customers and low-cost airlines have prompted legacy carriers to unbundle their products and adopt merchandising. At the same time, low-cost airlines have entered meta-search engines, Global Distribution Systems, and started cooperating with travel agencies to attract business travelers. Additionally, airline industry in general has been changing its focus from being product-oriented towards being customer-oriented. Such trends put forward airline merchandising as a vital strategy that can gain customers' loyalty.</p> <p>Yet what do travelers think about airline merchandising? To find this out, the research asked whether travelers are aware about airline merchandising, whether they would be ready to book ancillary services via online tools, and what they expect when shopping for airline products online. The findings show that:</p> <ul style="list-style-type: none"> • The majority of online bookers are unaware about airlines' unbundled products • Travelers' readiness to search and book ancillary services online is high • Travelers demand a higher transparency of airlines' products across various online booking tools • Online booking tools' capability will be strengthened by adopting new open-system communication standard from IATA's initiative – New Distribution Capability <p>Thus, based on the findings, air travel commerce still needs to generate and maintain travelers' awareness about airlines' ancillary services. Merchandising of airline products should be transparent, customer-oriented, and personalized. As the result of adopting new communication standard initiated by IATA – New Distribution Capability, online travel booking tools will facilitate the process of merchandising airlines ancillary services and meet online travelers' high demands. This will improve traveler's shopping experience and generate more business for all stakeholders.</p>	
Keywords Ancillary Services, Transparency, Generation Y	

Table of contents

1	Introduction	1
1.1	Research commission and goal	2
1.2	Report structure	3
2	Literature review.....	4
2.1	Ancillary Services.....	4
2.2	Transparency	4
2.3	Generation Y.....	5
2.4	New Distribution Capacity – NDC.....	5
3	Methodologies.....	8
3.1	Quantitative research	8
3.2	Qualitative research	8
3.3	Content analysis of secondary data	9
3.4	Implementation of research methods	10
3.4.1	Quantitative research study.....	10
3.4.2	Qualitative research study.....	10
3.4.3	Content analysis study	11
4	Results from the quantitative study.....	12
4.1	General information	12
4.2	Ancillary services evaluation	14
4.2.1	Bags.....	15
4.2.2	Pre-selected seats	16
4.2.3	Pets.....	17
4.2.4	Meals	18
4.2.5	Equipment.....	20
4.2.6	Unaccompanied minor	21
4.2.7	Lounge access.....	22
4.2.8	Seat Upgrade.....	23
5	Results from the qualitative study.....	25
6	Results from content analysis study	27
6.1	Ancillary services' significance in travel industry	27
6.2	Airline Retailing, merchandising technique – User Interface Optimization	28
6.3	High demand from digital traveler.....	28
6.4	Frustration in airlines distribution.....	30
7	Conclusion	32
	Bibliography.....	34
	Appendices.....	37
	Appendix 1. Glossary.....	37
	Appendix 2. Questionnaires.....	38

Appendix 3. Theme Interview Questions.....	40
--	----

1 Introduction

The aviation market is a place where airlines compete: the traditional network and low-cost airlines. During recent years, the traditional network airlines have been fighting continuously with economic issues and the growth of low-cost airlines especially in the short haul market. Plenty of them have fallen into a situation where there is a pressure to look for new potential ways to increase revenue in order to generate profit and compensate losses. The solution that airlines have chosen is a strategy to start unbundling their services like the low-cost airlines do. Full service carriers decided to keep the airfares lower and sell chargeable services in addition to a seat, the so-called ancillary services. For instance, for the flight from point A to point B, following such selling strategy, the fare might consist of solely the seat on the airplane as such, while all other services previously included in fare would be now sold separately. This helps to generate a new source of revenue also called ancillary revenue. This has become a trend in aviation market where the traditional network airlines have been seeking extra income from ancillary revenue. Between 2007 and 2013, for example airline ancillary revenue rose up nearly 1200% and reached 31.5 billion dollars. (IdeaWorkscompany 2014)

Regarding the customer's point of view, definitely they always want the best services at affordable price. They expect wonderful experience together with satisfaction. Furthermore, as our world is getting more and more digital, everything can be done online with less human interaction than before. The population of Y generation is getting bigger and bigger, they get used to technology from early stages of their life, and they prefer everything to be flexible and dynamic. Accordingly, they tend to manage their own travel by searching for fares from the internet to travel. They are also very demanding and use their money carefully. On the one hand, since traditional network airlines started unbundling their services, it has turned into an annoyance for online-booking travelers as they got used to buy full service fares from either online travel agency or airline's website. On the other hand, airfares have dropped significantly. Online-bookers' main concern while making decision is the ability to see through what they actually book and pay for via online booking tools.

At the moment, there is a gap between airline's website and online travel agency in term of front-end system IT capability. This is causing a tension to online-bookers as many of them pay for their ticket from online travel agency, which does not show much information on the ticket except some basic information such as reservation codes and names, even if Global Distribution Systems, such as Amadeus, do provide functionalities to book ancillary services, such as follows:

- Advance seat reservation
- Baggage
- Meals
- Seat-Upgrade
- Equipment – carriage
- Etc.

Additionally, GDSs can display content to visualize a number of ancillaries of a number of airlines (Gutz, 2014). Yet the situation is such that online travel agents have not taken ancillaries into distribution fully. For instance, many traditional airlines start charging for checked luggage which before was included in the ticket i.e. British Airways has implemented “handbag only fare” since February 2013 (Expedia 2014, 17). Many online-bookers bought tickets from OTA and had not noticed until being charged for luggage at the airport, therefore their satisfaction was damaged drastically because of those experiences.

1.1 Research commission and goal

In the future, the young generation Y customer will be a dominant customer in the travel market and the research’s focus was placed on them. The research was commissioned by Amadeus Finland Oy, which is part of Amadeus IT Group – the world leading IT solution provider in tourism market and travel industry. The study’s focus was on Finnish market.

As mentioned above, there is a gap existing among all players in travel industry (airlines, intermediaries and travelers) from IT perspectives that leads to frustration of suppliers and customers especially. The research’s goal was to draw a big picture of travel distribution industry in the future, based on customer’s understanding along with upcoming trend in tourism technology. In order to do so, the research looks at the following factors about online travelers:

- Awareness about airlines’ trend of unbundling products
- Readiness to book ancillary services in advance
- Evaluation of a range of airlines’ ancillary services available in Finland
- Expectation for airlines’ products under web-display across Online Booking Tools.

Regarding upcoming trends from tourism technology industry, the research study also digs into innovations offered by leaders in travel industry that could meet high demand of generation Y online travelers.

1.2 Report structure

Chapter 1 gives an overview of the study, sets the research framework and goals. Chapter 2 highlights the literatures on the topic. Chapter 3 describes different methods selected for the study. Chapter 4 interprets the data that came from quantitative study and presents the data as graphs and comments from research participants. Chapter 5 discusses the outcomes of qualitative research. Chapter 6 covers the analysis of the secondary data. Eventually, Chapter 7 makes the summary of the key findings and foresees how online shopping experience will be shaped by upcoming trends in travel industry's IT innovation.

2 Literature review

2.1 Ancillary Services

“Revenue beyond the sale of tickets that is generated by direct sales to passengers, or indirectly as a part of the travel experience” is a definition of ancillary revenue offered by IdeaWorksCompany

Furthermore, ancillary revenue is built up under four different categories as follows:

- **A la Carte Features:** They represent extra selections comprised in ancillary revenue menu, which travelers can add to their travel experience.
- **Commission-Based Product:** Airlines can also generate revenue by selling hotel accommodation, car rentals travel insurance that primarily included in websites. Duty-free revenue is earned by servicing customer involved face to face interaction.
- **Frequent Flyer Programs:** This is generated on the sales of miles or points together with partners such as hotel chains, car rental companies, retailer, co-branded credit cards, communication services and online mails.
- **Advertising sold by the airline:** this consists of any advertising activities that happen during customer's travel experience

(IdeaWorksCompany 2012)

2.2 Transparency

“Transparency is an integral aspect of any progressive commercial relationship between a provider and its customers. Transparency is the means of facilitating knowledge, assessment and opinion on what is happening within an organization and/or service” (IATA 2008)

Under business's point of view, transparency is meant to describe the condition in which essential product's information is readily enclosed and clear. In the e-commerce field, transparency's appliance is widely concerned as generally fair and honest in running business such as pricing or sharing data with no flawed security.

Regarding the area of online shopping, transparency indicates the principle of well-structured and trustworthy information about products. In other words, customers want to have access to entire information concerning products at ease. Transparency is very important concept, because consumers do not want to be charged extra fee to their accounts without any notice, which might lead to serious consequences for company engaged. (Ecommerce hostip 2015)

2.3 Generation Y

According to Online Business Dictionary, Generation Y is a group of people who were born between 1980s and early 1990s. They can be also called internet generation. As children born at this time, they could get access to computer technology in their youth. From business aspect, generation Y has strong demands, as they have suggested their employers to modernize hiring strategy, so as to integrate achievement of technology. (Online Business Dictionary)

Generation Y are a significant target for the tourism industry. They are becoming a primary workforce in society. The recent research showed that emerging youth markets are different to those in the past. This provides information about a trendy sustainability in tourism industry that is going to be shaped by generation Y as the biggest spender. In contrast to generation X who were born in 1960s to the 1980s, generation Y has been raised in much better conditions and got acquainted with technology very early, which makes them constantly more demanding. Hence, studying their characteristics and expectations to provide a comparison among traveler age-groups is crucial. (University of Queensland Australia Library 2007)

2.4 New Distribution Capacity – NDC

“NDC is a travel industry-supported program (NDC Program) launched by IATA for the development and market adoption of a new, XML-based data transmission standard (NDC standard).” (IATA 2014a, 3.)

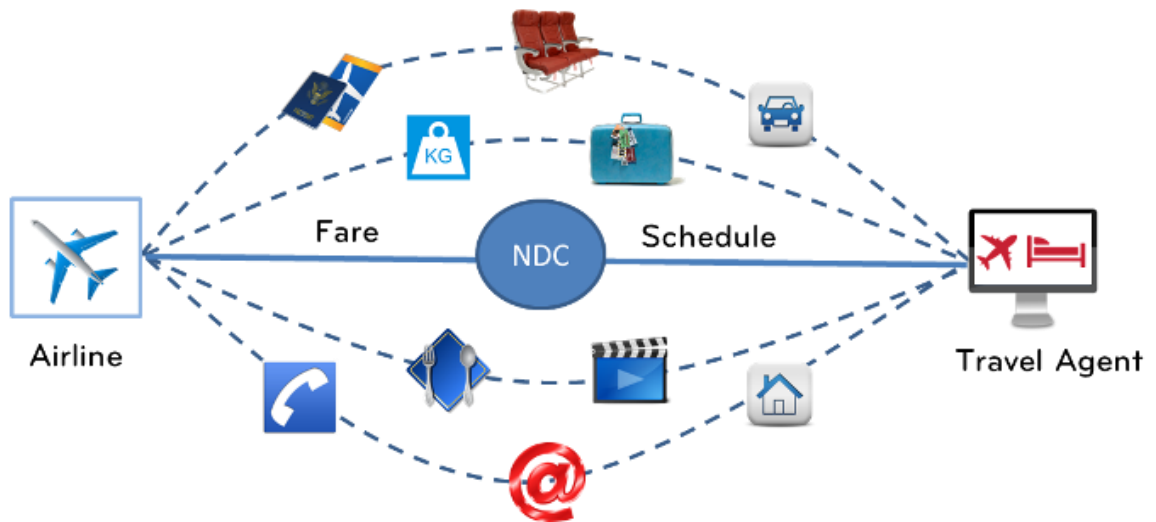


Figure 1. NDC's initiative
(Triometric 2015)

The NDC standard aims at improving the communication among all players involved in airline industry, especially between airlines and travel agencies. Moreover, the standard will be also available to any third party companies that would like to adopt NDC such as intermediaries - metasearch companies, IT providers or non-IATA member. NDC is open system for everyone who would like to execute in their system. (IATA 2015, 8.)

NDC was listed among top ten trends – “The Future of Information Technology and Tourism”, anticipated by tourism professionals, because in travel technology smart systems invented by various organizations in travel industry could not “communicate” with each other. The incompatibility comes from different programming languages and IT architectures. Undoubtedly, there is a need for creating an open system for everyone in order to streamline businesses in the travel industry. IATA has put a tremendous effort on that by investing into a five-year programme, the so-called New Distribution Capability or NDC as abbreviation. NDC targets at providing facilitation to the travel industry that will support open-source accessibility, interoperability among different IT systems as well as cross-platform compatibility. Then travelers will no longer have frustration about weak communication ability between airlines and travel agencies. NDC will strengthen the automation of exchanging data in the back-end server systems and display airlines’ products on the screen to online bookers transparently. (Benckendorff, Sheldon & Fesenmaier 2015, 346)

There are other factors that illustrate how NDC is adopted in the aviation. First, three major GDSs has been convinced by IATA that NDC can pass the airlines products’ rich content to distribution. From World Passenger Symposium 2014, as spoken by Decius Valmorbida (VP of Distribution Marketing) – Amadeus as Amadeus was convinced that NDC

is a standard that can accelerate and enable merchandising in the airline industry. Shelly Terry – speaker from Sabre, VP Supplier Merchandising stated that “we stand ready to work with any airlines who want to utilize the IATA NDC XML standard to participate in retailing and merchandising platform that we’re creating. We stand ready to work with them when they’re ready to do so”. A Travelport executive Fergal Kelly (Chief of Staff and Head of Commercial Strategy) commented in his interview with leading travel management company ATPi: “IATA launched NDC with great fanfare a couple of years ago. The vision was to help airline members to communicate the value of their products via imagery, text and detailed product descriptions, just as they do on their own websites”. (World Passenger Symposium - WPS - 15-17 October 2014a)

Secondly, major airlines’ executives at WPS 2014 shared how airlines embrace NDC:

- Debbie Keller, SVP, Revenue Management, Qatar Airways
- Amos Khim, Managing Director, Distribution Strategy, United Airlines
- Christops Mueller, CEO, Aer Lingus
- Keith Wallis, Distribution Strategy Manager, Air Canada
- Jerry Foran, Head of Product Delivery, Revenue Management, British Airways

These executives all considered NDC as an opportunity for airlines to accelerate airlines’ ancillary revenues by displaying options from airlines’ websites with high transparency. (WPS 15-17 October 2014b)

Finally, IATA conducted a case study of NDC adopted by Skyscanner, global travel search company which offers online bookers a comprehensive, unbiased, free searching flight services together with constant online hotels and cars’ rentals comparisons. Filip Filipov, Skyscanner’s Head of B2B, stated: “We believe NDC is a great opportunity to bring further transparency to the industry benefitting the consumer”. He also clearly claimed that NDC will enable airlines to have more control of their products’ content and compete on unique selling points, instead of price-based competition at the moment. (IATA 2014b, 4.)

Thus, this chapter has reviewed the key concepts of the thesis: ancillary services, transparency, generation Y, and New Distribution Capability. Next chapter will introduce three approaches that the study used to answer its research questions.

3 Methodologies

Multiple methods have been chosen to implement the research in order to maximize the reliability of the results. Mixed methods were applied throughout the entire study. Quantitative and qualitative research methods were applied with quantitative research conducted as a pilot study. The main purpose was to get an overview of how consumers answer the research questions. This was used as a foundation for qualitative study, which included the theme open-ended interviews, built up upon results collected from quantitative research. By applying this kind of procedure, the researcher was able to get into consumer's shoes and dig deeper as well as better understand the big picture behind the quantitative data. Additionally, the study applies content analysis as a complementing method.

3.1 Quantitative research

In quantitative research, there are many different approaches, which involve complex experiments with various procedures and variables. Nonetheless, the main focus stays on two quantitative strategy designs and approaches – experimental designs and no experimental designs, such as survey.

- Survey research gives a numeric description of trends, typical behavior or attitude, and opinions of a population by collecting data from sampling of that population. There are cross-sectional and longitudinal studies involved in by applying either structure interview or questionnaires so that necessary data can be collected – generalization population from a sample.
- Experimental research is designed with intent to seek for determination whether a specific treatment has influence over an outcome. It is assessed by giving a specific treatment to one group and then compared with scores fetched from others with the same treatment. (Creswell 2014, 12.)

For this thesis, a survey was chosen as a quantitative method, because there were no opportunities to stage an experiment.

3.2 Qualitative research

Qualitative research design includes various strategies that involve different approaches such as participatory action research, discourse analyses, etc. There are several common types of qualitative research strategies should be taken into consideration as followings:

- Narrative research – a design of questionnaires by which the research studies about lives of individuals from asking them to produce information about their lives. The information is used by researcher as a part of narrative chronology. At the end, typically there will be a collaborative narrative between standpoints of research and participants.
- Phenomenological research – a designed inquiry derived from philosophical and psychological point of views in which the description of lived experiences of individuals brought up by participants. The description is reaching out the top essence of the experiences for individuals who have experienced the phenomenon. This type of research is having strong philosophical foundation and interview often involved in.
- Grounded theory is inquiry design by forming general, abstract theory of action, behavior or interaction grounded in the views of participants. The process itself includes many different steps vary from data collection, refinement and also interrelationship between different categories of information
- Ethnography is a design of inquiry that stems from anthropology plus sociology. In this kind of research strategy, the researcher has to study the common patterns of languages, behaviors and actions of one intact cultural group under natural setting through prolonged period of time – observations together with interviews are frequently used
- Case studies are inquiries designed where the researcher has to analyze deeply a case – program, activity, process or event. It could be applied in many fields ranging from IT project development to marketing campaign, especially for evaluation. Case studies are numerous and researchers apply different techniques for data collection over a set period of time. (Creswell 2014, 13.)

This study chose to adopt a narrative research and develop it to a qualitative interview, as it was important to let research participants share their stories about ancillary services.

3.3 Content analysis of secondary data

Frequently, content analysis method can be applied to complement primary data collection methods. The requirement of this research is that the researcher need to collect and analyze published reports produced by other authors under various purposes.

The sources of secondary data include textbooks, journal articles, publications, press releases of private companies, public and governmental ones. The information from these

sources was collected as an evidence to support the research findings. Furthermore, content analysis was used to verify the validity and reliability of the study. (Altinay & Paraskevas 2008, 127.)

3.4 Implementation of research methods

3.4.1 Quantitative research study

An online survey was chosen as a way to approach consumers during this study. At the first base, questionnaire's design was taken into account. The goal of the survey was to generalize from a sample to a population based on scale questions that respondents could evaluate. The title was set up, authorized logos inserted and statements were attached to illustrate to respondents why the survey is conducted. There was also attention paid to anonymous treatment of everyone who answers the survey.

Time and effort were spent to form a general idea on how to make questions simple, friendly and still able to catch respondents' attention. The questionnaire was drafted, tested and edited during the planning stage before being sent. The target group was clearly defined as online bookers with interest in airlines' products.

The result was used to sketch a picture about traveler's overall evaluation of ancillary services in terms of transparency and book-ability. Based on this foundation, qualitative research was implemented.

3.4.2 Qualitative research study

The research was conducted by interviewing those respondents who replied to the online survey. The semi-structured theme interview questions were built up from quantitative research's results. The researcher designed the questions based on outcome collected from the analysis of the quantitative data. These questions aimed at having a better understanding of travelers' consuming behavior.

The main purpose of the interviews was to listen to customers' expectations and comments on the current status of online booking tools. The results from qualitative research were used to reflect on quantitative research's outcome. Henceforth, the researcher could capture a better picture of the reasons behind the results.

3.4.3 Content analysis study

The content analysis of secondary data was conducted concurrently with quantitative and qualitative research. The aim was to gather information from tourism industry with a focus on up-to-date news and trends. Besides, the content analysis supported the research's credibility by enhancing reliability.

The research collected data from trustworthy resources such as:

- Amadeus web page – Travel IT Provider
- IATA site – Airlines' leading organization
- Tnooz.com – Global provider of news to Tourism, Travel and Hospitality industry

By collecting information from these sources, the research was able to keep track of news about what is going on in tourism industry in the field of respective topics. Consequentially, the content analysis's results will gain outcomes from other studies to produce a recommendation for innovation and to predict industry's trends in the near future.

.

4 Results from the quantitative study

Sixty-three (63) respondents participated in the online survey. The questions of the survey were grouped into two categories: general information and ancillary services evaluation. Here below, the results are presented in the following way: first, a chart displayed the results visually; second, a few selected comments from the participants are shared; and third, the researcher summarises and interprets the results.

4.1 General information

The respondents were asked to give information about their group age, booking channels and platforms they use to make a booking.

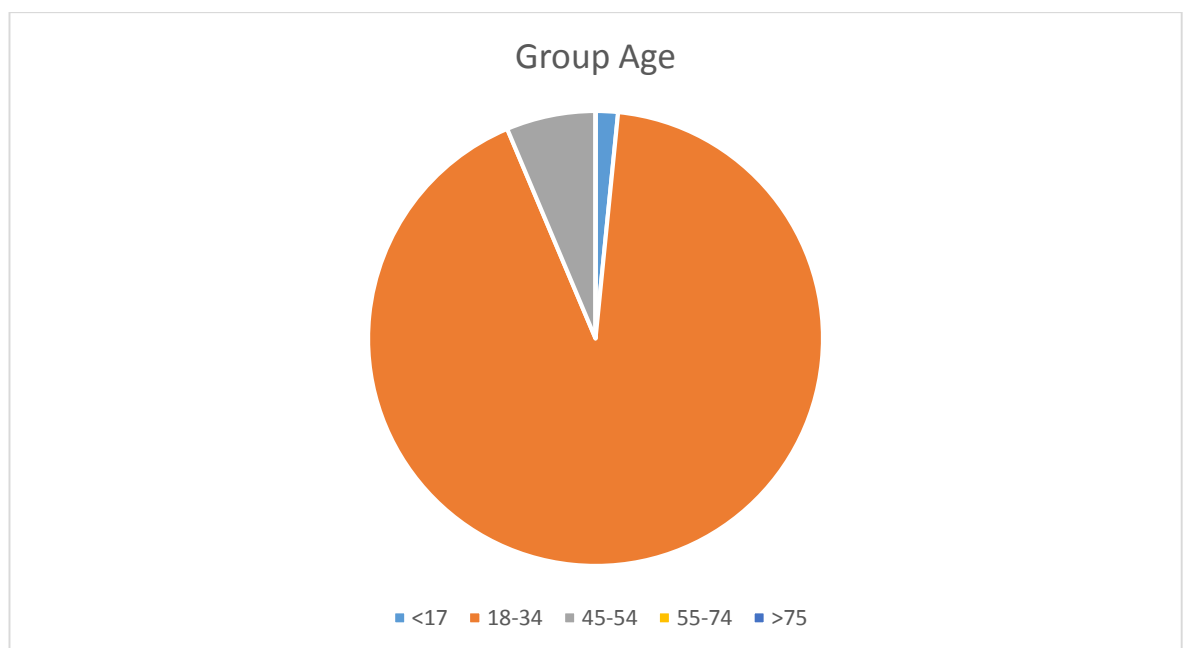


Figure 2. Group age

Fifty-nine out of sixty-three respondents are generation Y representatives, which accounts for 93.7%. This matches the study's purpose to focus on generation Y's perspectives.

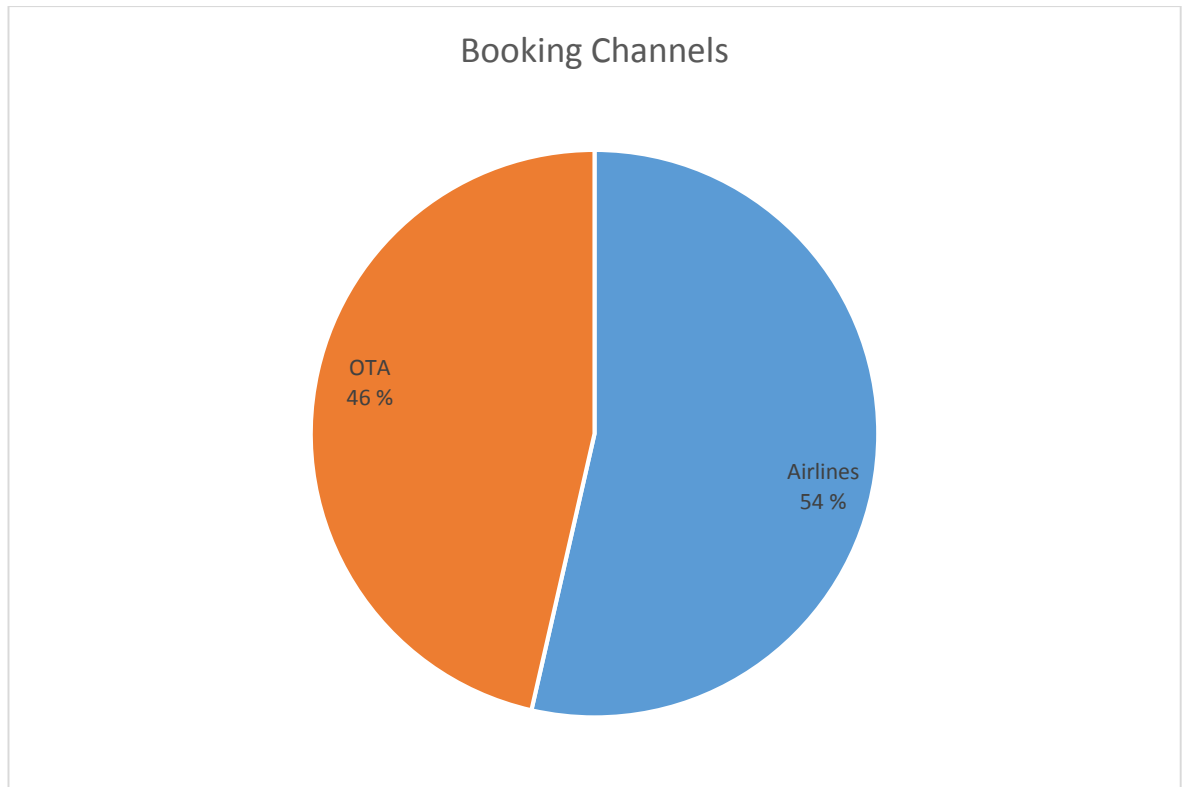


Figure 3. Booking Channels

Comment:

- *Budget airline such as Norwegian, Ryanair or AirBaltic airlines offer so much better prices in comparison with other traditional airlines.*

The results show that airlines' websites are more preferred as booking channels than online travel agencies – 54% versus 46% respectively. According to the comment from one respondent, travellers prefer to book directly via airline websites because they can easily find cheap flights offered by low-cost airlines – i.e. Norwegian Airlines.

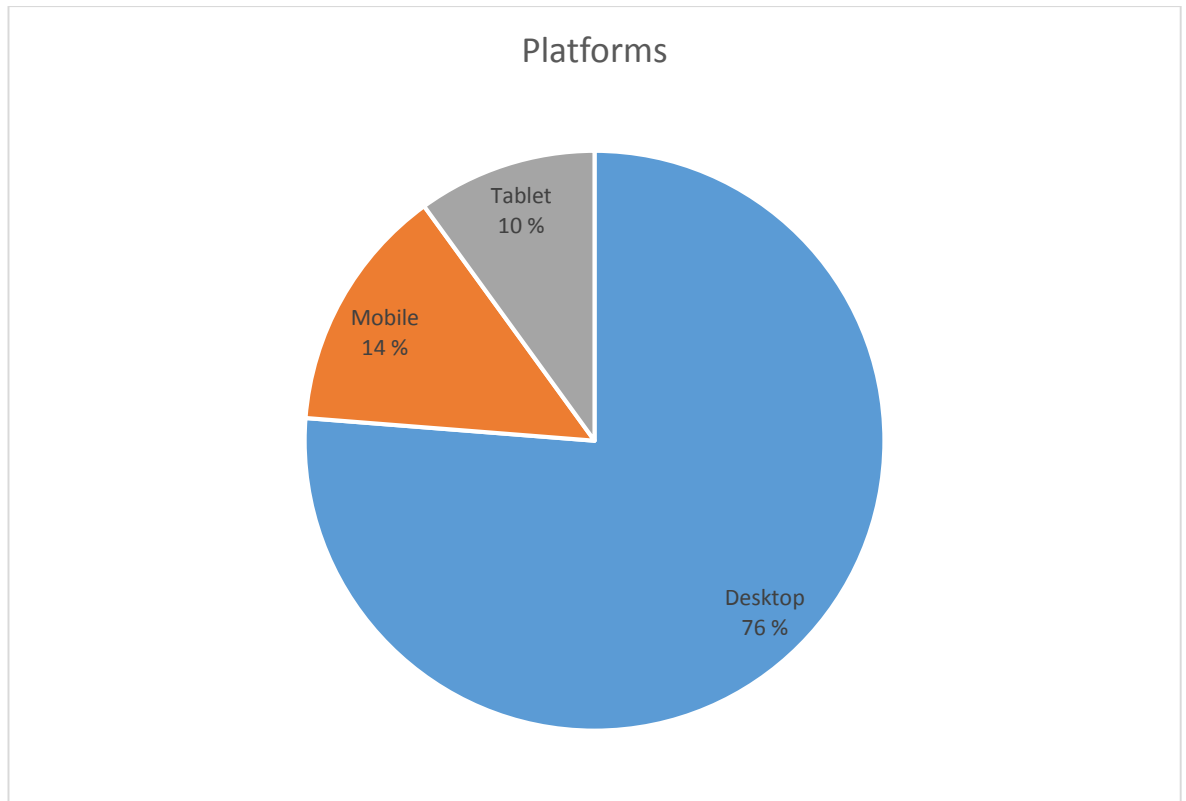


Figure 4. Platforms

Comment:

- *Desktop platform provides better views in big screen rather than smaller ones from other devices*

Approximately 76% of respondents have booked their flights via desktop platform while others prefer mobile devices. Although mobilization is trendy, desktop is still used mostly when purchasing flight tickets

4.2 Ancillary services evaluation

The participants were also asked to evaluate airline products – ancillary services (À la carte) by using a rating system that offers evaluation options from one star to five stars. The questions were designed to obtain customers' standpoints towards airlines ancillary services in terms of importance and transparency.

4.2.1 Bags

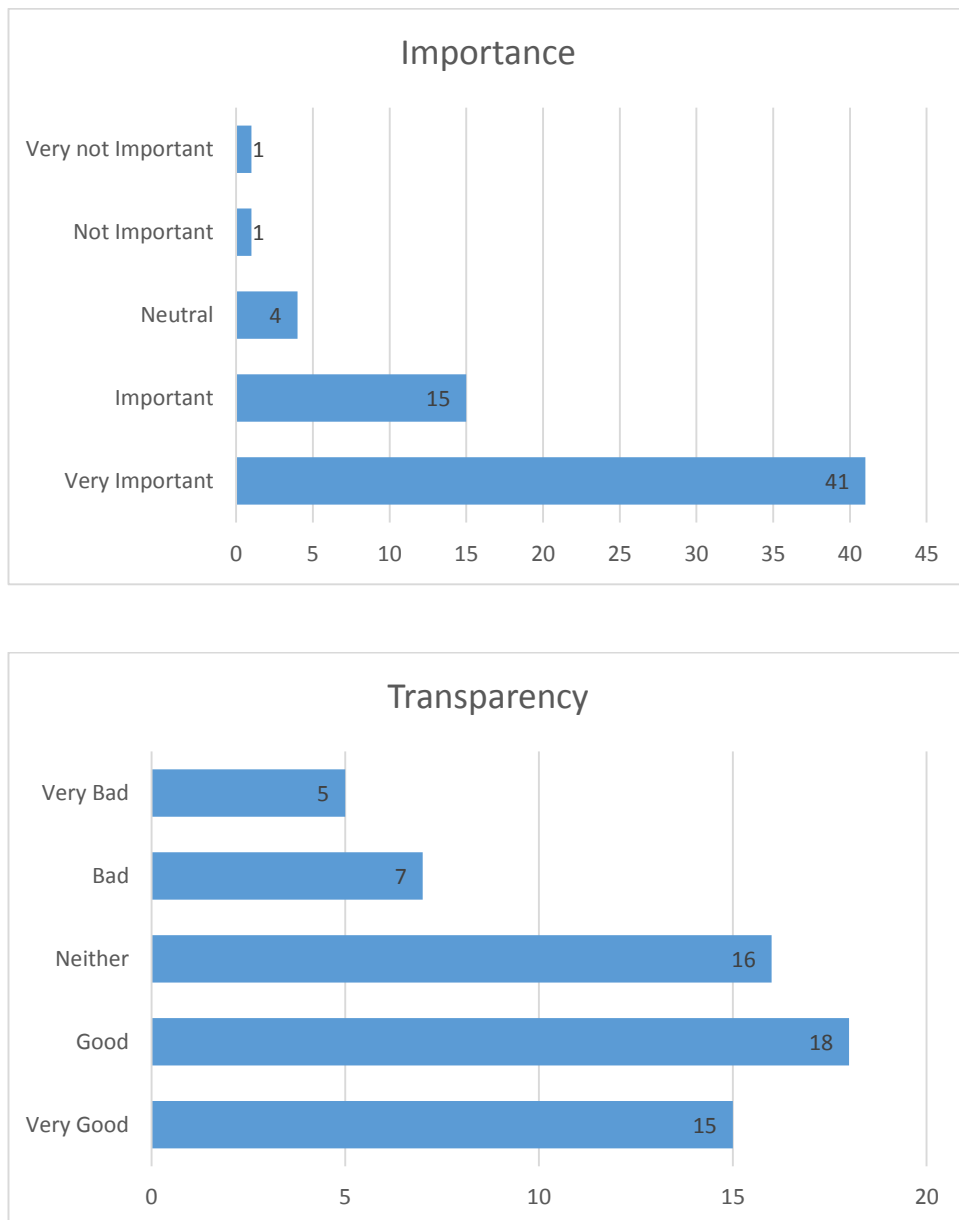


Figure 5. Bag's importance and transparency

Comment:

- *The policies vary quite a lot from different airlines, and the tickets booked from online travel agencies do not show information relating to baggage allowance for those flights.*
- *I do not know what I can take with me onboard.*

Whereas luggage was rated as important service by most respondents – 90%, only 54% were satisfied with products' descriptions. Frustrations often come to travelers due to lack of information about luggage allowances.

4.2.2 Pre-selected seats

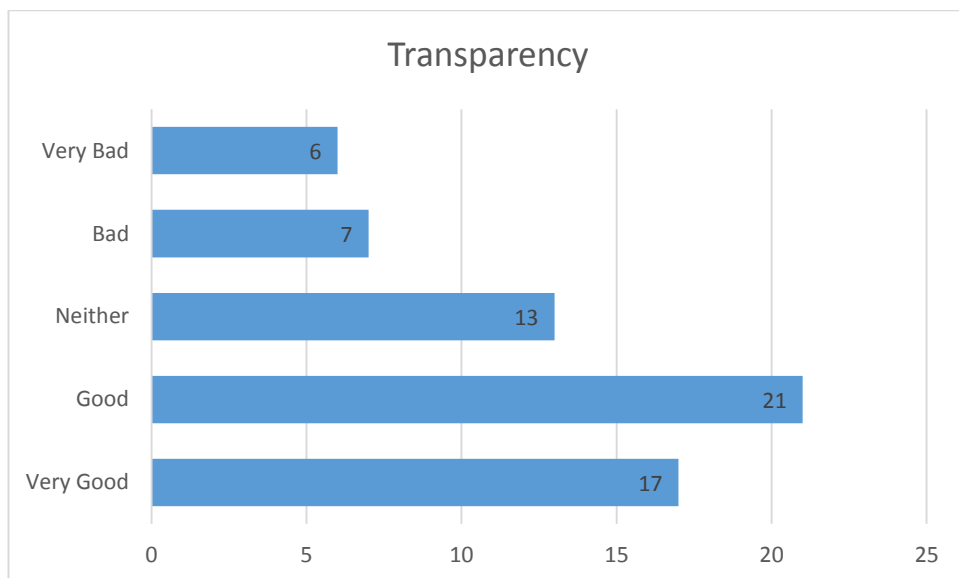
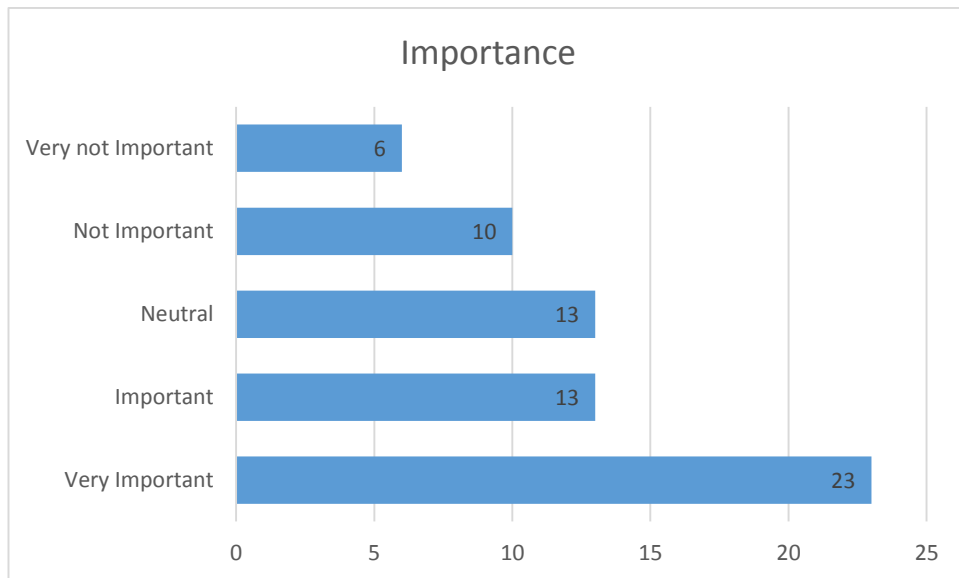


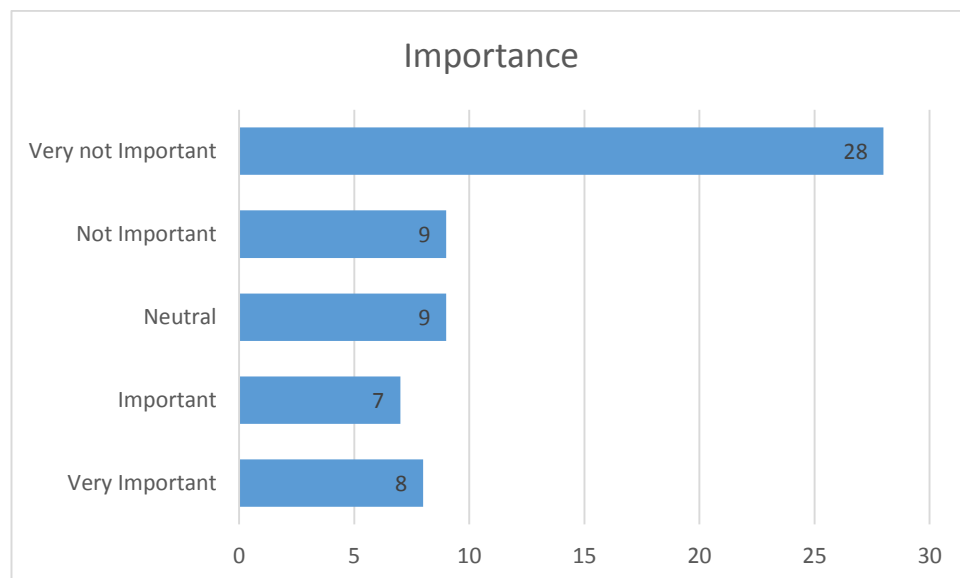
Figure 6. Pre-selected seats' importance and transparency

Comments:

- *General speaking, I do not have problem when choosing selected seat in advance when search for flight tickets from airline website. But it would be nicer if I can see the picture of my seat beforehand.*
- *When I booked flight tickets from online travel agency, I know myself that I can choose where to sit once I arrive to check-in point at the airport. Because of that, I most likely go with direct channel if pre-selected seats among our top priority for the flight.*
- *For the long-haul flight, I do not want to sit next to window and have to border passengers next to me in order to get in toilet. I booked flight ticket from online travel agencies and sometime if I was lucky enough, the aisle seat was still available to choose at the check-in point.*

The results showed that around 57% of respondents appreciate the pre-selected seat option as important. Likewise, 60% of participants answered that the web-display of seat option is satisfactory. The reason why others do not feel good about the pre-selected seat option was explained in the comment above: travellers do not even have a choice when booking with online travel agencies.

4.2.3 Pets



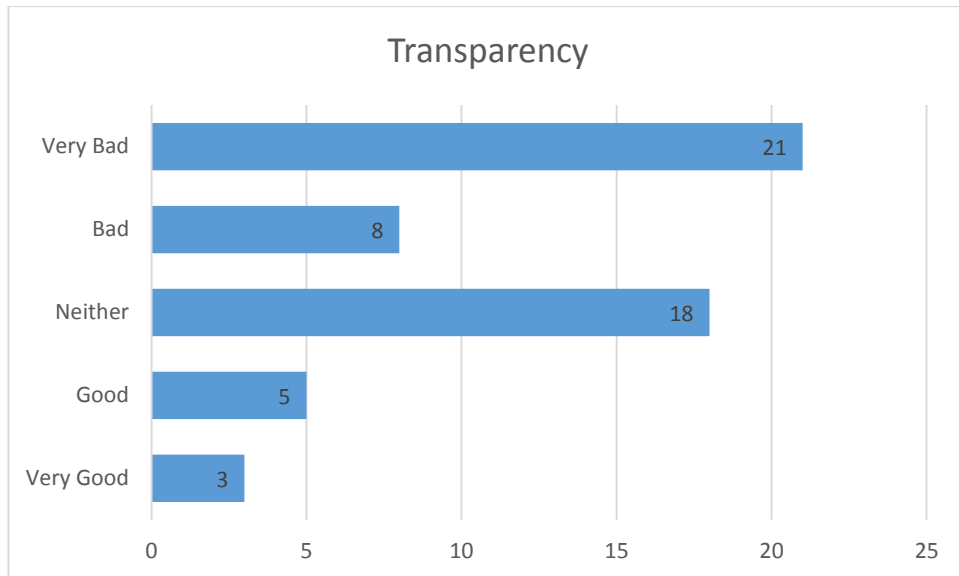
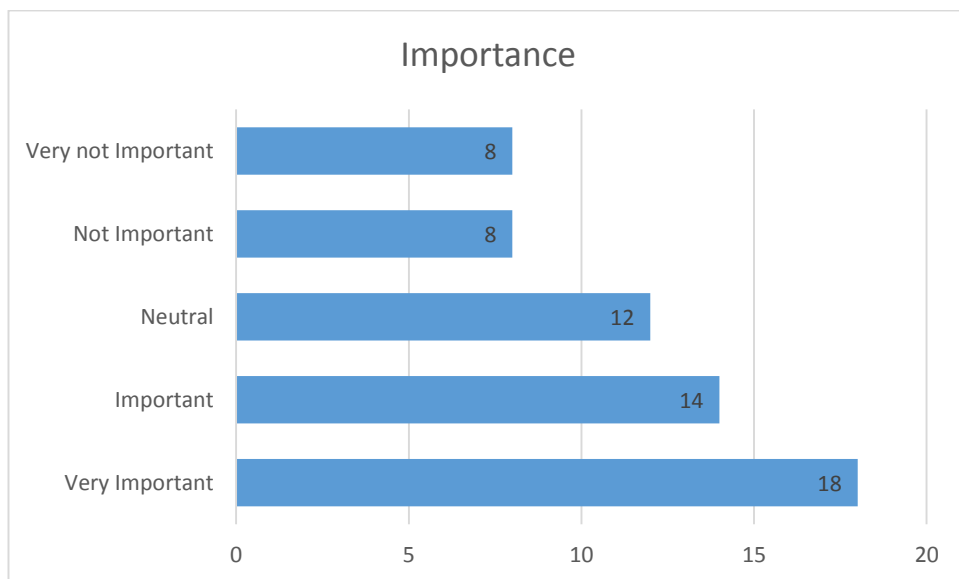


Figure 7. Pets' importance and transparency

Comments: *Can I travel with my pets???*

It seems that travelers rarely go onboard with pets - around 59% pointed out pets-option as unimportant. Similarly, three-quarters could not have nor access pet option when searching for flight tickets. Interestingly, some participants expressed their strong opinions that they do not even know travel-with-pet is possible on several airlines.

4.2.4 Meals



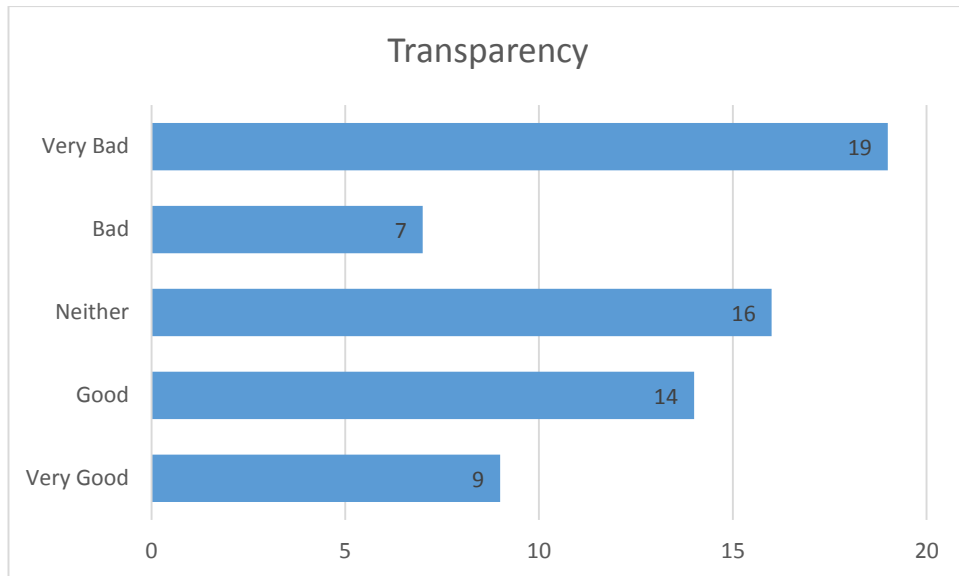


Figure 8. Meal's importance and transparency

Comments:

- *I wish we could have a catalogue to book for a meal option before flight depart. It could lead to efficient-timing onboard as travelers will not have to go through menu.*
- *Impossible to book for that before the flight by using online booking tools. Only price and schedule available.*

While half of participants responded that meal option is important, a level of transparency was rated as negative – only one third of those rated meal option as well displayed and informative. There were few comments stating that meal option seems to be out-of-reach via online booking.

4.2.5 Equipment

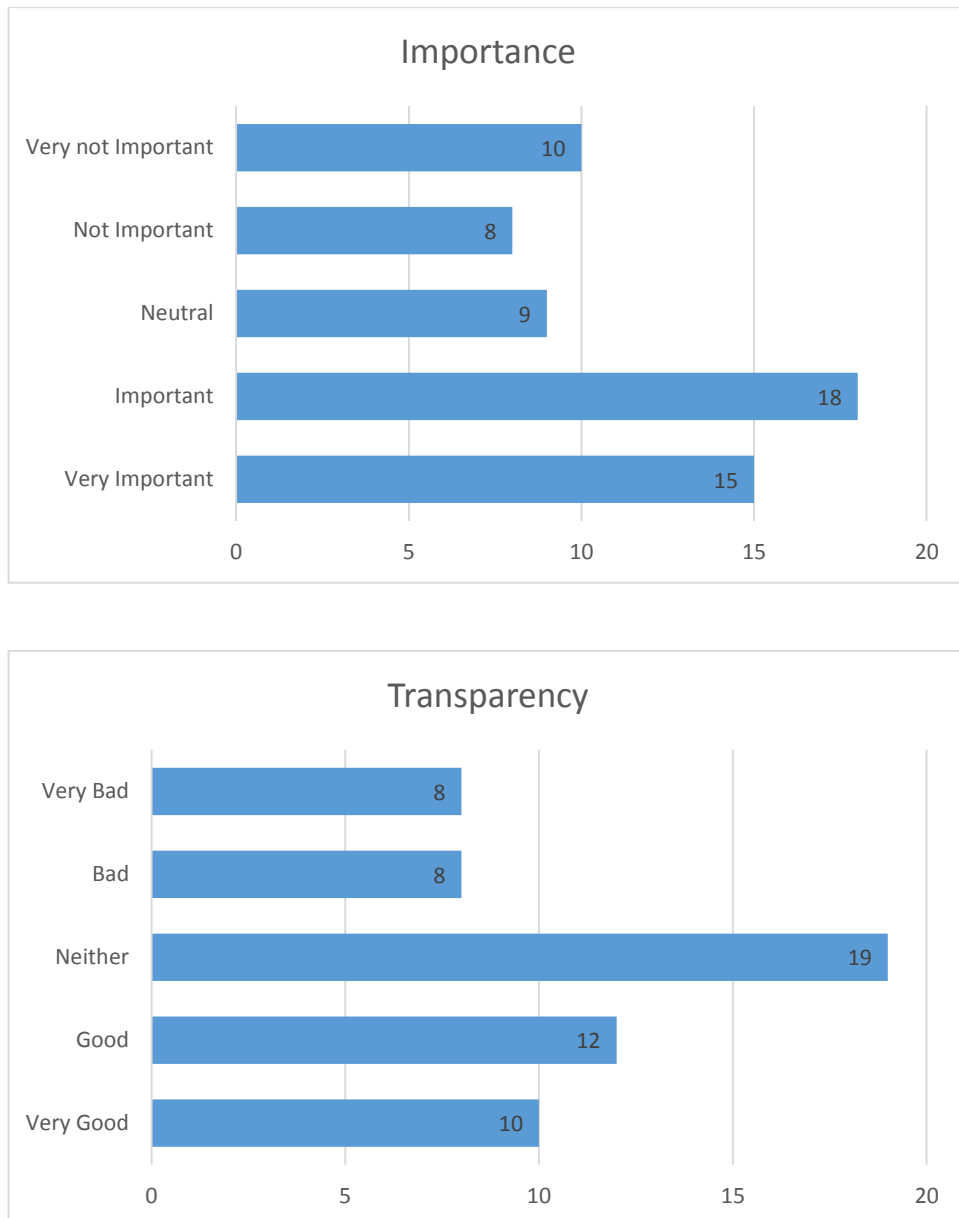


Figure 9. Equipment's importance and transparency

Comments:

- It would be nice if I know I can carry my guitar with me from online booking channels so that I won't have to call directly to the airline then ask for a solution from them.*

Equipment carriage was rated as necessary service since 54% respondents marked the service as important, and roughly 34% of participants were happy with this service's description in online booking tools. One commented that he/she normally has to call airlines for booking this service – it is very time consuming.

4.2.6 Unaccompanied minor

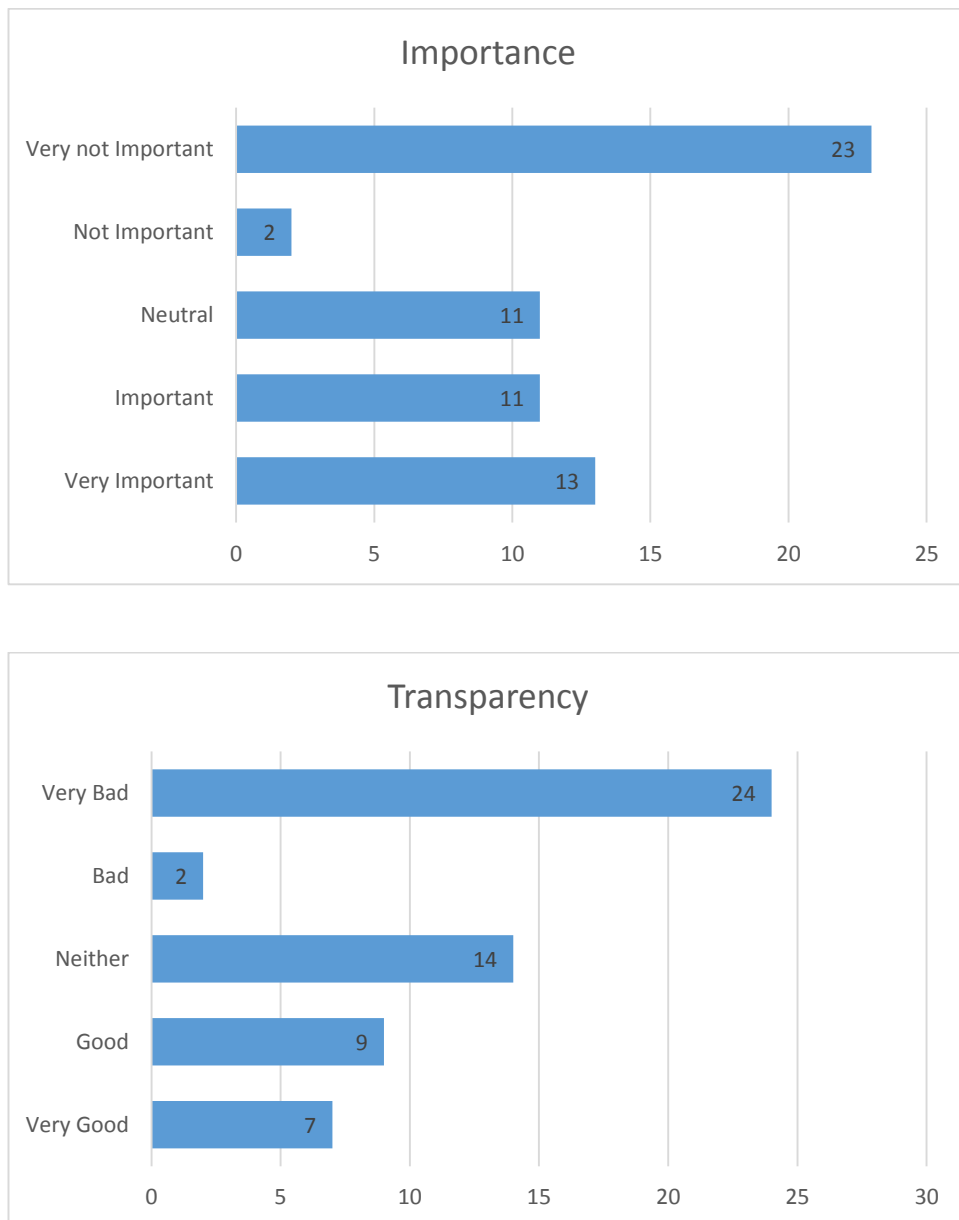


Figure 10: Unaccompanied minor's importance and transparency

Comments:

- I wouldn't dare to let my five years old nephew to travel alone without my accom-
pany, much less booking a seat for him to travel himself. It's ridiculous!*

Around one-third of respondents rated unaccompanied minor service as important, and 15% were satisfied with the service's descriptions in online booking tools. It seems that unaccompanied minor service is seldom used and is considered important. Besides, one

respondent felt extremely uncomfortable to let his/her child to get on-board without any family a company. Possibly, travelers' awareness about this service is fairly low.

4.2.7 Lounge access

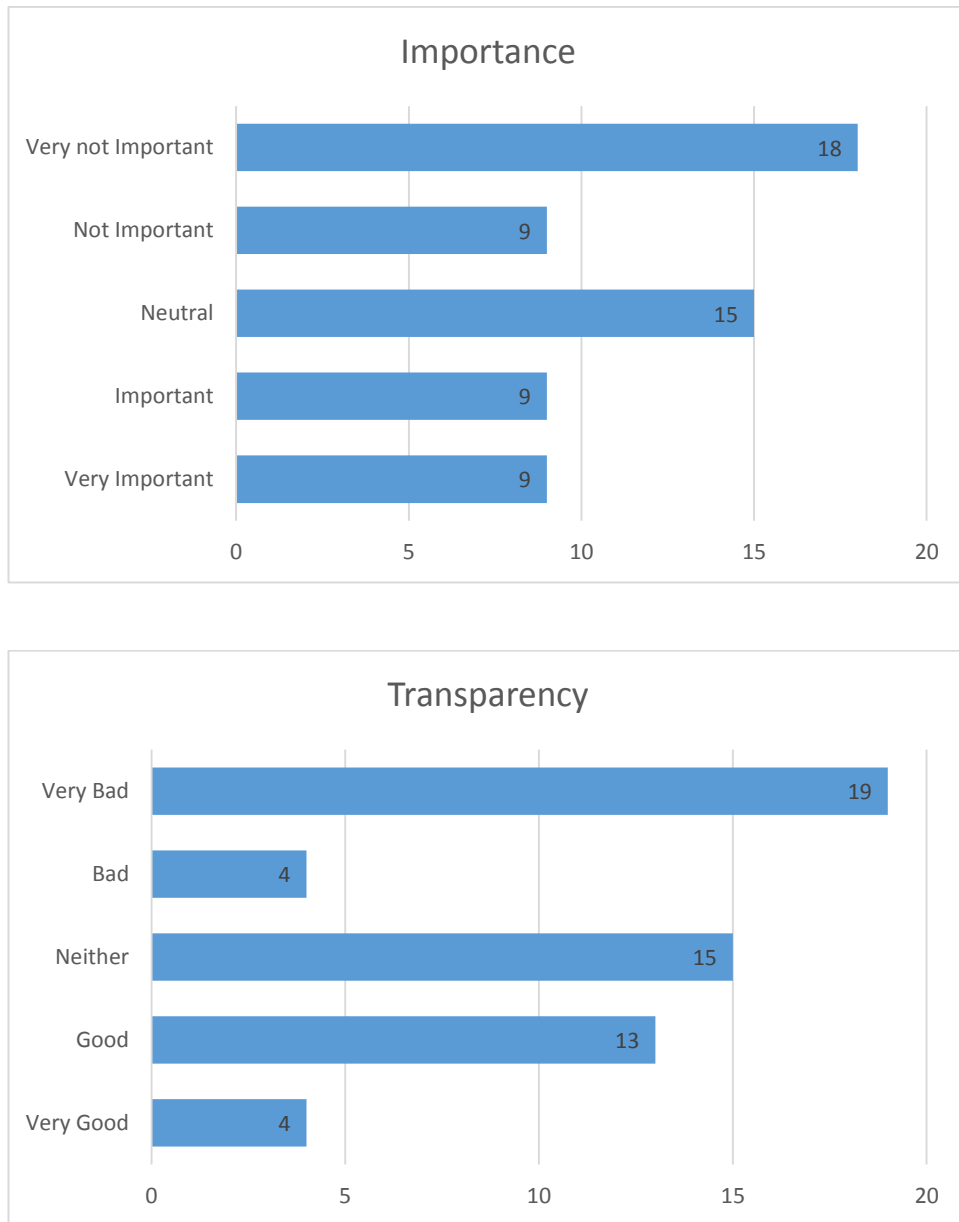


Figure 11. Lounge Access' importance & transparency

Comments:

- *Can we celebrate farewell party right at the airport's lounge? If that is available, we definitely will purchase the service*
- *Never seen this option from online travel agency*

The outcome shows that only 28.5% respondents considered that booking for lounge-access is important. There were more than 60% who rated the service's as not well-dis- played. Besides, one comment from a traveler expresses his/her expectation about having farewell party right at the airport's lounge. The service is actually available from a number of airports, unfortunately the product's descriptions are not very informative enough to per- suade traveler to buy the service. And significantly, this service has not been available in online travel agencies.

4.2.8 Seat Upgrade

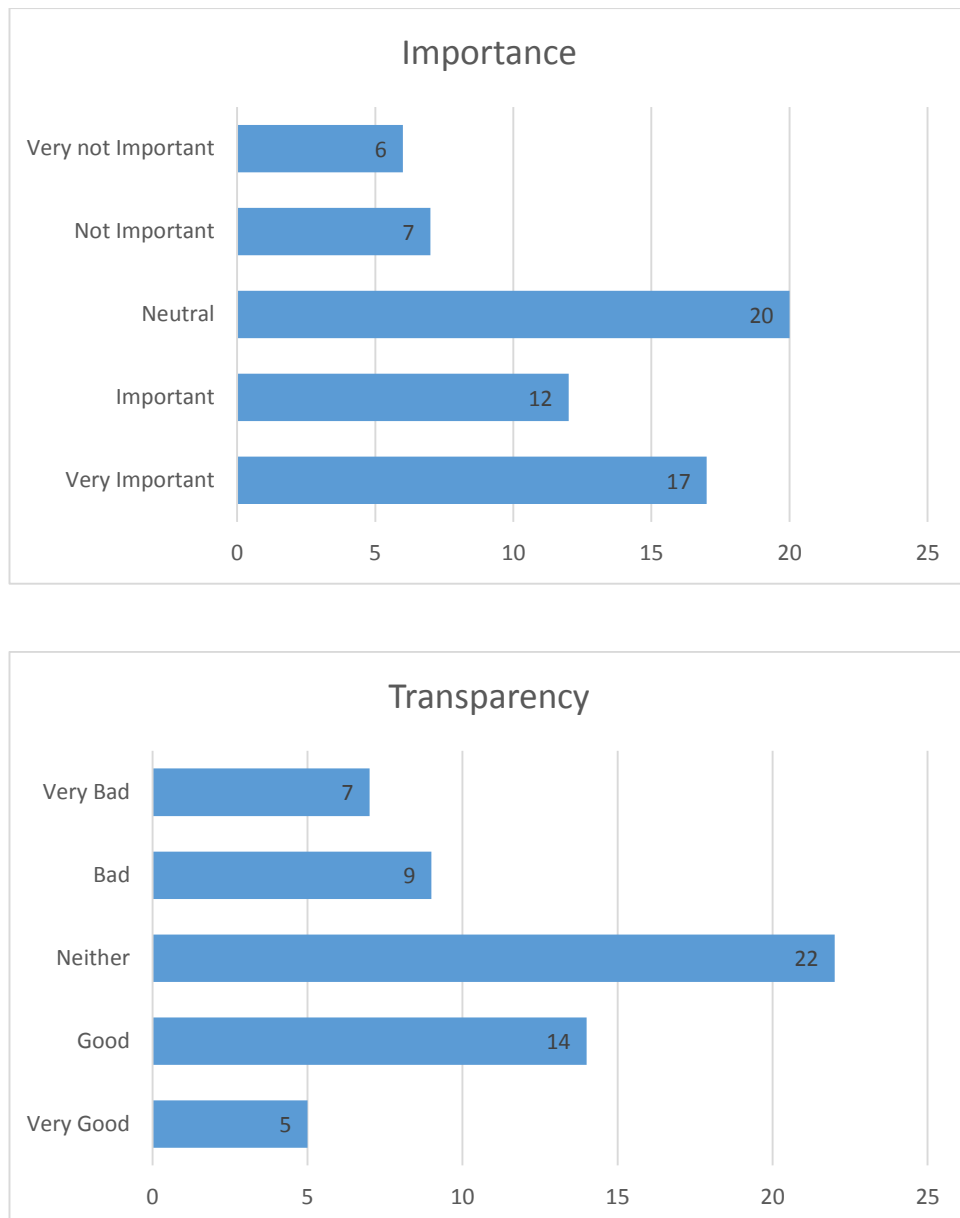


Figure 12. Seat upgrade's importance and transparency

Comments:

- *When I travel with my infant, I definitely want to book for an upgraded-seat with extra leg-room plus more comfort.*
- *I am more than willing to book an extra leg-room for those friends of mine who got their legs longer than 1.2 meters so that their legs would not hit the seat in front of them. It seemly can be done at the airport if we arrive early and purchase this option from staff at the check-in point. If we can book that in advance from online travel agencies, it would be brilliant!!!*

Although half of participants answered that seat upgrade option is essential, only small amount of travelers rated the service's transparency as good. According to some comments from respondents, they often have to attempt to pay for the service at the airport if needed. This is showing that customer's readiness is rather high, and in contrast their awareness of online booking availability is relatively low.

5 Results from the qualitative study

The results from the qualitative study are presented below in Table1.

Table 1. Results from the qualitative study

	Finnish Respondents (15)	Foreign Respondents (7)
Typical Travel Destinations	Within Europe	Europe to Asia/ North America.
Awareness of Ancillary Services	Low	Low
Readiness to book ancillary services for personal comfort	High	High
Desirable Ancillary Services	Special Meals, Equipment Carriage	Special Meals, Unaccompanied minor, Wi-Fi on-board
Most used OBTs	Norwegian airlines, supersaver.fi, flightfinder.fi, Air Baltic.	Supersaver.fi, edreams.com, flightfinder.fi, Lastminute.com
Expectation of airlines products' transparency	Luggage allowance information, drop-down menu list, seat view	Luggage allowance information, drop-down menu list, duty-free shopping, seat view, unaccompanied services.

The researcher decided to categorize respondents into two groups: Finnish and non-Finnish ones. They both have been using online booking tools that are available in Finland.

The results show that there is something in common between two groups and something different. While Finnish travelers group mainly use OBTs to search for flight tickets within Europe, foreigners look for group targets at international flight tickets back to their home countries, often outside of Europe.

Both groups seem to be unaware about airlines ancillary, except for ticket prices, schedules and luggage allowance. Travelers actually go online and search for the most reasonable prices, expecting to arrive safe and sound. They do not know that airlines really try to deliver the best services – add value to travelers rather than just take them to final destinations.

During the interviews, the researcher explained the idea of airlines ancillary services to respondents and asked whether they are interested in booking those services in advance or not. The results show that the majority of participants really need some of those ancillary services available in their favorable online booking tools.

Regarding Finnish participants, they are interested in meal options and equipment carriage the most. For instance, some travelers want to carry their snowboarding equipment with them to Norway instead of having to buy the equipment there; or travelers want to taste special food offered by different airlines that represent respective culinary food-culture. Similarly, foreign respondents wish to have unaccompanied minor service to have their children travel safely. Most importantly, Wi-Fi onboard is very much appreciated as travelers want to stay connected with their friends and family when they are in the air.

The most used OBTs vary among two groups but they all have made purchasing decision under same primary criterion – price. Because online bookers cannot see the difference between flights' products offered by airlines, travelers' mindset is purely price-oriented.

The results also indicate that generation Y travelers' expectation of airlines products' transparency across OBTs is relatively high. They will go online and shop for airlines' products with focus on value instead of price only if those are crystal clear. There is a suggestion from participants: airlines' products should be described by texts, photos and videos in order to increase travelers' awareness of those. Thus, they believe booking and travelling experiences can be rewarding.

6 Results from content analysis study

6.1 Ancillary services' significance in travel industry

According to Amadeus' research in 2015 about the importance of ancillary services, there were 48% of travelers who bought ancillary products. Among those passengers, around 41% would be willing to spend more on their flight tickets in order to have better seat comfort within economy class. Specifically, business travelers would pay up to 26\$ to avoid middle seat and 15\$ for leisure travelers respectively. Moreover, there were approximately 54% who paid for checked luggage.

Regarding special meals, 40% of travelers paid for food and beverages on-board.



Figure 13. Meal Service's trend throughout history
(Amadeus 2015)

From airlines' perspectives, there are three foremost criteria:

- Maintain competitive edge
- Cost saving
- Be transparent

According to statistics, there were nine out of ten business travel agencies in United States who booked ancillary services in 2011. About half of passengers (47%) purchased additional airlines services directly from the internet. Approximately 83% of carriers planned to offer ancillary services to travelers via mobile devices. From airlines' perspectives, competing on price is much more difficult than on services. Hence, they want online bookers' mindset to shift from being price-focused to value-oriented. (Amadeus 2015, 1.)

6.2 Airline Retailing, merchandising technique – User Interface Optimization

According to Amadeus's research – “Thinking like a retailer – Airline Merchandising”, both customers and suppliers agreed that User Interface Optimization is very much important (travelers and airlines showed their interest with 73% & 98% respectively). This technique is about leveraging airlines' IT capability to strengthen the variety of OBTs. Online bookers want to have access to full information about airlines' products – high level of rich content. The main focus is to deliver a better message to customer and engaging customer experience. Airlines are determined to invest in direct booking channel's development in order to meet travelers' requirements. (Amadeus 2014a, 12.)

Specifically, even one piece of content from websites can have a big impact on online bookers. For instance, as Expedia found out, by removing one unnecessary question from their booking application, they were able to accelerate extra 9 million euros to their revenue. This helped them remain ahead of their competitors as a powerful digital retailer. By such optimizing of user interface, ROI can be expected to grow 20%. (Amadeus 2014b, 12.)

Additionally, highly demanding travelers want to have access to airlines products' contents and make purchasing decision via a range of devices. Airlines have to ensure that IT departments take a very good care of those functionalities available in a variety of devices. With those airlines that do not have dedicated apps and mobile optimized websites, passengers might neglect ancillary products. Airlines business now is shifting from being product-oriented to customer-centric. And to retail effectively, the user has to become the utmost factor in product development. (Amadeus 2014c, 12.)

Airlines products' demonstration also play a key role in persuading consumers to make final purchasing decision. There is a strong correlation between products' demo integration in mobile devices and impulse spending. Therefore, videos and photos have become more and more important when setting out a product to customers. Videos and photos, however, should never be advertised if they affect execution and performance of the websites or applications. By implementing properly, 69% in conversion is what airlines could expect as ROI. (Amadeus 2014d, 13.)

6.3 High demand from digital traveler

“Google analysis shows that travelers shop on 22 websites before booking” – this figure shows how complicated the experience of online bookers is when looking for flight tickets.

Majorly, online-bookers are price-focused travelers who search for flight tickets from intermediaries (metasearch sites and online travel agencies). Undoubtedly, those travelers made their purchasing decisions solely relied on third-party websites without knowing much about airlines' products. For instance, digital travelers do not receive any education from online intermediaries regarding amenities in-flight availability, travel policies or alliance agreement. (IATA 2012a, 3.)

Online citizens are the world's airline passengers, empowered by their adoption of consuming technology devices (as Figure 14 shows). The amount of time online travelers spend on the Internet outnumbers watching TV at home. There are three points to consider:

- Complicated shopping experience sends consumers to higher-cost offline channels
- Having control is as much essential as in purchasing a cup of coffee while searching for flight tickets
- Online travelers want optimal prices but also an opportunity to indulge themselves

(IATA 2012b, 5-6.)

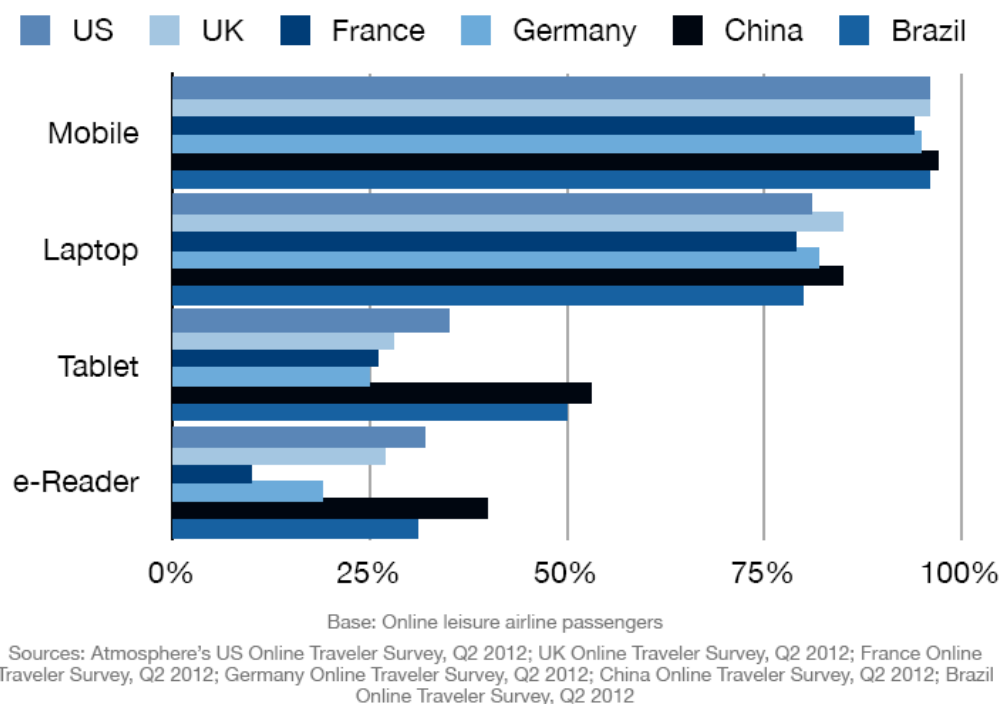
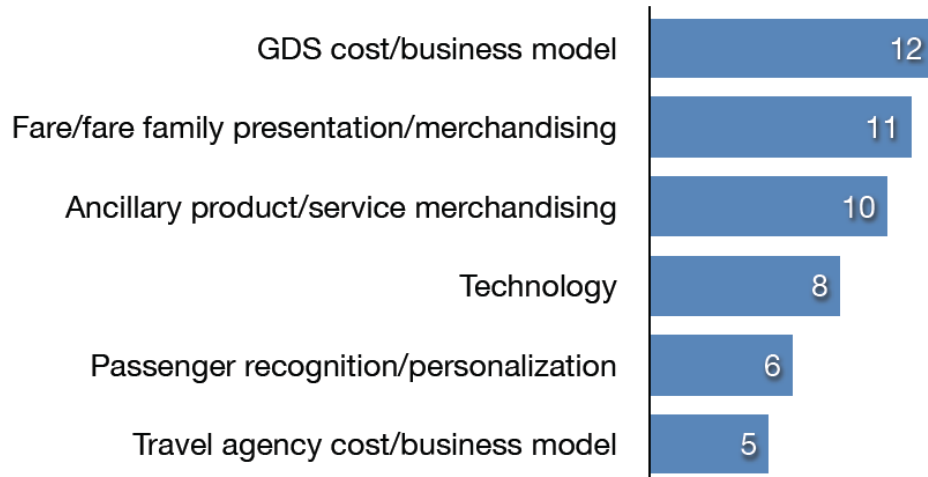


Figure 14. Tech Devices are in the Hands, Purses, and Briefcases of Many Passengers (IATA 2012)

6.4 Frustration in airlines distribution

Airlines claim that the costs of distribution via third-parties frustrate them the most – as illustrated in Figure 15 below. US's frontier airlines stated that it costs 20 times less to sell through their direct channel than via OTAs.

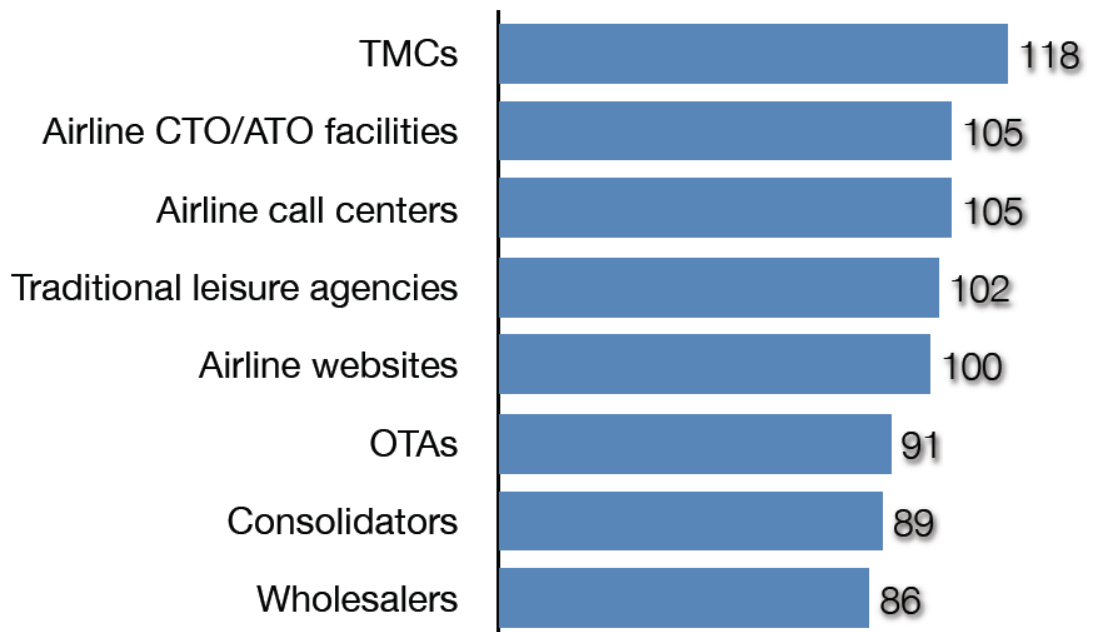


Source: Atmosphere telephone interviews with 15 airline marketing/sales/distribution executives

Figure 15. Distribution Business Issues Frustrate Airline Executives More Than Technology (IATA 2012)

During the research done by Atmosphere Research group commissioned by IATA (Figure 16), airlines were asked to index the yields according to different sales channels. Figure 16 shows that while direct channels' yields indexed at 100, OTA yields stay at 91 which was considerably lower than average number. Offline travel agencies' figures indexed at 102, and this is not enough to compensate the cost of distributing tickets through GDSs. Nevertheless, TMCs with their number topped yield index 118 and satisfied airlines executives.

Average Yield Indexed Against Airline's Websites (Airline Website Yield = 100)




Source: Atmosphere telephone interviews with 15 airline marketing/sales/distribution executives


Figure 16. Airlines Index OTA Yields Substantially Below Those of Their Websites (IATA 2012)


Besides distribution costs, airlines are not happy about how their products are merchandised in GDS-based distribution channels. Differently from airlines' website direct channels, intermediaries provide very limited airlines products' content – which is limited to price and schedule (Figure 17). In other words, GDSs cannot provide end-user enriched content of flight tickets on behalf of airlines – meaning no product differentiation. The frustration with this issue was admitted by several airline executives as follows:


- *“Our website presents multiple fare families. We’ve improved the [user interface] to help with up-selling and how we present ancillary products. Take-up rates for some of our ancillary offers exceeds 20%. We get none of that -- zero -- on the OTAs.”* - Director, e-Commerce, US-based network airline
- *“Distribution is about transparency. In retail, the stores must present merchandise the way the brands want. Airlines have no control over presentation or merchandising in GDSs and OTAs.”* - Vice President, Distribution, European network/flag airline
- *“GDSs and travel agencies that can’t or won’t sell our ancillary products the way we want will find that they’ve becomes invisible to us.”* - Managing Director, e-Commerce, European network/flag airline


(IATA 2012c, 10-12.)

	San Francisco SFO 2:30pm UNITED 304	→	New York JFK 11:05pm	Nonstop 5h 35m	Roundtrip from \$336 per person includes tax and fees
Show Flight Details		Seat Preview		Baggage Fee Information	
SELECT					

	San Francisco SFO 2:30pm	→	New York JFK 11:05pm	Nonstop 5h 35m	Roundtrip from \$336 per person includes tax and fees
		US Airways 6881 operated by UNITED			
Show Flight Details		Baggage Fee Information			
SELECT					

	San Francisco SFO 3:10pm	→	New York JFK 11:45pm	Nonstop 5h 35m	Roundtrip from \$336 per person includes tax and fees
		Virgin America 26			
Show Flight Details		Baggage Fee Information			
SELECT					

	San Francisco SFO 11:30am	→	New York JFK 8:10pm	Nonstop 5h 40m	Roundtrip from \$336 per person includes tax and fees
		Delta 1940			
Show Flight Details		Seat Preview		Baggage Fee Information	
SELECT					

	San Francisco SFO 8:00am	→	New York JFK 7:00pm	Los Angeles 1 Stop 8h 0m	Roundtrip from \$347 per person includes tax and fees
		Virgin America 1530 Virgin America 406			
Show Flight Details		Baggage Fee Information			
SELECT					

Source: Expedia.com JFK-SFO flight search

Figure 18: OTAs show only the lowest fare, and do not present ancillary products (IATA 2012)

7 Conclusion

In order to sum up the study's outcome, the followings are the key findings:

- The majority of online travelers are not aware of airlines' unbundled products as well as ancillary services, whereas their readiness to book those services online is respectively high.
- Generation Y online bookers want to have better OBTs that would give them full access to airlines' products content.
- New Distribution Capability adoption is predicted to become top trends in tourism industry in the near future.

Many big players involved in the airline industry – including GDSs, airlines and intermediaries, have showed their interest in IATA's initiative – NDC communication standard. By adopting NDC, online travel agencies and metasearch intermediaries will meet high de-

mand of generation Y travelers. They will benefit from being able to deliver a better message to customers about airline' products. Accordingly, travel experience will become rewarding by offering access to airlines products' information at any touch point. Online bookers will know what they actually pay for. By having high level of airlines products' transparency, comparability of airlines services will be available to all online bookers. As a result, traveler's mindset will shift from being price-focus to value-oriented.

Bibliography

Altinay, L. & Paraskevas, A. 2008. Planning Research in Hospitality and Tourism.

Amadeus 2015. Ancillary Services Infographic. URL:

http://www.amadeus.com/web/amadeus/en_1A-corporate/Amadeus-Home/Resources-and-downloads/Infographics/1319560217334-Page-AMAD_DocumentsPpal?assetid=1319609444513&assettype=Categorizable_P

Access: 22 February 2015

Amadeus 2014 a. Thinking like a retailer. URL:

<http://www.amadeus.com/airlineit/airlinemerchandising/index.html?PRO=113>

Access 30 March 2015

Amadeus 2014 b. Thinking like a retailer. URL:

<http://www.amadeus.com/airlineit/airlinemerchandising/index.html?PRO=113>

Access 30 March 2015

Amadeus 2014 c. Thinking like a retailer. URL:

<http://www.amadeus.com/airlineit/airlinemerchandising/index.html?PRO=113>

Access 30 March 2015

Amadeus 2014 d. Thinking like a retailer. URL:

<http://www.amadeus.com/airlineit/airlinemerchandising/index.html?PRO=113>

Access 30 March 2015

Benckendorff, P., Sheldon, P. & Fesenmair, D. 2015. Tourism Information Technology. Cabi Tourism Texts

Creswell, J. 2014. Research Design – Qualitative, Quantitative, & Mixed Methods Approaches.

Ecommerce Hostip 2015. URL:

<http://ecommerce.hostip.info/pages/1003/Transparency.html>

Access 05 September 2015

Expedia 2014. Expedia Viewfinder Story White Paper. URL:

http://viewfinder.expedia.com/img/STOR-23513_White_paper.pdf

Access 25 December 2014

Gutz, Scott. New Agreement with United Airlines for Worldwide Distribution Services.
URL: <http://www.amadeus.com/blog/15/04/new-agreement-united-airlines-worldwide-distribution-services/> Access 1 October 2015

IATA 2008. Transparency. URL:
<http://www.iata.org/policy/Documents/transparency.pdf>
Access 27 May 2015

IATA 2012a. The future of Airline Distribution. URL:
<http://www.iata.org/whatwedo/stb/Documents/future-airline-distribution-report.pdf>
Access: 20 March 2015

IATA 2012b. The future of Airline Distribution. URL:
<http://www.iata.org/whatwedo/stb/Documents/future-airline-distribution-report.pdf>
Access: 20 March 2015

IATA 2012c. The future of Airline Distribution. URL:
<http://www.iata.org/whatwedo/stb/Documents/future-airline-distribution-report.pdf>
Access: 20 March 2015

IATA 2014a. NDC Fact Sheet. URL:
<http://www.iata.org/whatwedo/airline-distribution/ndc/Documents/ndc-fact-sheet.pdf>
Access 22 March 2015

IATA 2014a. NDC Case Study - Skyscanner. URL:
<http://www.iata.org/whatwedo/airline-distribution/ndc/Documents/ndc-casestudy-skyscanner.pdf>
Access 24 March 2015

IATA 2015. NDC Standard Presentation. URL:
<http://www.iata.org/whatwedo/airline-distribution/ndc/Documents/ndc-casestudy-skyscanner.pdf>
Access 1 April 2015

Ideaworkscopy 2012. Ancillary Revenue Definition. URL:
<http://www.ideaworkscopy.com/ancillary-revenue-defined>
Access 13 March 2015

Ideaworkscompany 2014. Press Release Ancillary Revenue Top 10. URL:
<http://www.ideaworkscompany.com/wp-content/uploads/2014/07/Press-Release-89-Ancillary-Revenue-Top-10.pdf>
Access 20 January 2015

Online Business Dictionary. Generation Y definition. URL:
<http://www.businessdictionary.com/definition/Generation-Y.html>
Access 26 May 2015

University of Queensland Library 2007. URL:
<http://espace.library.uq.edu.au/view/UQ:240690/ttraMoscardo2007.pdf>
Access 05 September 2015

Triometric XML Business Technology 2014. URL:
<http://www.triometric.net/travel-analytics/why-xml-is-integral-to-ndc-part-3/>
Access 06 September 2015

World Passenger Symposium 15-17 October 2014a. URL:
<https://www.youtube.com/watch?v=8IRISamZ2ks>
Access 20 April 2015

World Passenger Symposium 15-17 October 2014b. URL:
<https://www.youtube.com/watch?v=5Jeyzb7yjTc>
Access 23 April 2015

Appendices

Appendix 1. Glossary

IATA	International Air Transportation Association
NDC	New Distribution Capacity
OBT	Online Booking Tool
OTA	Online Travel Agency
WPS	World Passenger Symposium
VP	Vice President
ROI	Return on Investment

Appendix 2. Questionnaires

Transparency When Booking Online

Airlines' Ancillary Services

How important are they? How visual is their display?

This survey is conducted as part of a Bachelor's thesis for HAAGA-HELIA University of Applied Sciences and commissioned by Amadeus Finland Oy.

The research aims at identifying and measuring the experience that Finnish residents have when buying airlines' ancillary services from online booking tools: how important are they and how transparently ancillary services are displayed

Answering this survey will only take around 5-10 minutes of your time and no extensive knowledge about airlines' ancillary services is required to answer the questions. All the replies will be kept anonymous. The results of the research will be later publish on www.theseus.fi

We greatly appreciate your participation and wish you a pleasant survey experience!

1. Gender
2. Group Age
3. Which of the two channels (airlines' own websites and online travel agents) do you use to book flights? Please select all that applies.
4. Which platforms do you use when you book your flights online? Please select all that applies.

Scale Questions

In this section, you are welcome to rate how important it is for you that the booking tool offers you this or that ancillary service (luggage, extra leg room, sport equipment, pets,

etc.). To do that, please select the appropriate star-rating label and drag it towards the name of the ancillary service in question. Popular Star Rating System in Amazon, Android Google Play Store, et cetera.

(5 stars mean "very important" or "excellent", 1 star means "not important" or "bad" respectively)

In this section, you are welcome to rate how visual is usually the ancillary service in question displayed and its importance? based on your experience

- 5.** Bags - The ability to book checked-luggage and see hand luggage allowance
- 6.** Pre-Selected Seat - The ability to choose your preferable seat in advance
- 7.** Pets - The ability to book room for pet in cabin luggage
- 8.** Meals - The ability to book special meals offered by airlines
- 9.** Equipment - The ability to carry your stuff such as sport or instrument equipment
- 10.** Unaccompanied Minor - Ability to book a seat for child without the presence of a legal guardian
- 11.** Lounge Access - The ability to book accessibility to airport lounge
- 12.** Upgrade - The ability to advance personal comfort such as extra leg-room, lie-flat seat, video-on-demand
- 13.** Firearms - The ability to book a right to carry personal protector such as pistol, shot-gun, et cetera and undergo special check-in process
- 14.** Please feel free to express your expectation with respect to development of online book tool in the future below

Appendix 3. Theme Interview Questions

1. Could you please describe airlines' products according to your understanding?
2. Are there any airlines' services that seem to be out of reach via your online shopping, that you really want to buy before your departure day? Please list them down and how you want them to be described on the online booking tools' websites?
3. Have you ever thought that someday you can actually go online shopping for airlines' products just like you do with Amazon or EBay? If yes, please reflect on it.
4. Could you list down your favorite online booking tools that contain the best description of products that you've used the most and please explain why?
5. Please describe your expectations of how OBTs should be developed in order to meet your needs or expectations?